Resource Conservation Challenge
June 20, 2003

Drivers, Tools & Incentives Discussion Paper

The Resource Conservation Challenge

The Resource Conservation Challenge (RCC) is a major national effort to find flexible yet more protective ways to conserve our valuable resources through pollution prevention, waste reduction and energy recovery activities that will improve public health and the environment. The RCC works across EPA's programs - waste, water, air, toxics, pollution prevention, pesticides, and compliance - and includes on-going projects in the regions, states, tribes and private sector. The RCC identifies areas of program focus or "challenges" that are ready for voluntary partnerships. Each challenge works to resolve national environmental problems by finding environmentally acceptable solutions.

The RCC challenges all Americans - makers of goods, sellers of goods, and buyers of goods - to:

- Prevent pollution and promote recycling and reuse;
- Reduce the use of priority chemicals at all life cycle stages; and
- Conserve energy and materials.

Examples of the types of environmental improvements RCC projects could address include: Using less toxic materials in designing and producing products; Reducing energy use, including lowering greenhouse gas emissions; and Using less new raw materials through waste prevention and recycling which reduce the environmental burden of raw material extraction and harvesting.

Discussion of Drivers, Tools, and Incentives

This discussion paper identifies a number of external and internal drivers, tools and incentives which have the potential to move entities towards achieving RCC goals. It provides background information to meeting participants and seeks to stimulate thought in preparation for the discussion led by the RCC team at the June 20th meeting. To that end, we have identified a number of questions at the end of this paper, but seek participants' ideas in general about these issues. Your input will assist us as we further implement the RCC. Please keep in mind that the RCC will provide the following to program participants:

- Agency coordination and alignment to meet challenges
- Senior management attention to your challenge
- Recognition to RCC activities that result in resource conservation
- Assistance in reducing costs and environmental impacts

Which External Drivers Motivate an Entity to Change its Behavior?

- **Market Forces –** Include market demand, competition, consumer demands, and general economic conditions
- **Laws & Regulations** – Federal, state and local laws and regulations
- **Compliance Assistance -** Use of compliance assistance tools
- **Compliance Monitoring & Enforcement –** Use of inspections and enforcement actions

- **Purchasers' Specifications -** Product specifications by purchasers may encourage or identify "green" requirements throughout the product's life cycle
- **Media / Public Opinion -** Negative press and consumer reaction may alter the methods by which an entity conducts business
- **Publicly-Available Data -** Availability and dissemination of data about an entity's emissions, compliance status and environmental liability
- **Lower Waste Processing Costs and Production Costs –** Waste processing charges, such as landfill and incineration costs; minimizing these costs may lead to prevention of waste and emissions or to greater reliance on re-use and recycling
- **Need for Increased Product Quality** - Desire to improve product quality in terms of functionality, reliability, durability and repair-ability to address consumer concerns and enhance sales
- **Design Awards –** Several performance, aesthetic and function design competitions (geared toward marketing) now incorporate environmental factors as a component
- **International Political Climate –** For example, European Union imposing pollution restrictions or banning a particular chemical
- **Environmental Footprint –** Scrutiny from State and local regulatory bodies, and the local environmental advocacy community may push the regulated community to minimize its environmental footprint
- **Citizen Lawsuits & Petitions –** Filing of these may drive companies toward improvements

Which Internal Drivers Motivate an Entity to Change its Behavior?

- **Organizational Culture** – Sense of corporate responsibility towards the environment
- **Image Improvement** - Communicating a product's environmental quality to users by means of an environmental "seal of quality" to improve a company's image
- **Cost Reduction/Profit Maximization** – Minimize raw material consumption and energy usage in production and distribution to decrease costs
- **The Need to Stimulate Innovation & Revenues –** A push for increased revenue and desire to expand into new markets may push design change, including incorporating environmental concerns
- **Liability and Insurance Costs –** Desire to lower insurance or financial assurance costs and decrease potential liability are often linked to pollution prevention
- **Low Interest Loans –** Banks may provide loans to corporations that switch to more environmentally friendly technology.
- **Internal Incentives, Rewards, and Liability Apportionment Systems** - How environmentally beneficial and harmful behaviors are acknowledged, and rewarded or punished within the organization.

Which Tools and/or Programs Does EPA Provide to Assist an Entity in this Endeavor?

- **Compliance Monitoring to Ensure Installation, Operation, and Maintenance of Pollution Control Equipment; Proper Handling of Waste; Reporting Data** - Performing these actions properly enables regulated entities to comply with environmental laws and regulations
- **Pollution Prevention** - Under the waste hierarchy of federal law, priority is given to waste reduction measures that focus on source reduction.
- **Environmental Management Systems (EMS)** – A systematic approach to how an organization understands and manages its environmental impacts, both regulated and unregulated; may assist regulated entities in better understanding and managing their environmental impacts holistically and lead to cost reductions
- **Performance Measurements and Environmental Indicators** – Method by which a facility tracks its environmental performance; may assist in assessing environmental impacts and determining whether goals are met

- **Compliance Assistance** – Use of available government or peer-to-peer technical assistance programs, materials and tools to achieve compliance
- **Design for the Environment** (DFE) – Program which seeks to minimize or eliminate, during design, the anticipated waste generation and resource consumption in all subsequent life cycle phases: construction, operation, and closure (or production, use, and disposal)
- **Emissions Trading** - Such as the Acid Rain Program which allows facilities to trade SO2 allowances to meet their acid rain requirements while complying with any other permit conditions
- **Alternative Technologies or Production Processes** – By piloting new equipment or methods, an entity may have the potential of enhancing environmental performance
- **Supplemental Environmental Projects –** Facility implements an environmentally beneficial project in exchange for a reduction in penalties; may have benefits for the community and the environment
- **Audit Policies** - examples of this include the Small Business Compliance Policy and the Self-Policing
  Discovery, Disclosure, Correction and Prevention of Violations Policy
- **Enforcement** - in addition to traditional enforcement, facilities may conduct approved Supplemental Environmental Projects which have measurable environmentally beneficial outcomes in exchange for reduced penalties.

Which Rewards, Benefits, and Incentives May the Government Provide to Motivate an Entity to Achieve Goals ?

Listed below are incentives that have been provided through a variety of government programs. To the extent any incentives are offered through the RCC, they will constitute a limited set of the possibilities listed below. The incentives offered will depend upon the specific environmental problem being addressed by the particular industry, the feasibility of government resources, and the availability of taxpayer cost opportunities, among other factors.

- **Reduced or waived penalties** – Given to facilities which voluntarily discover, promptly disclose, and expeditiously correct environmental problems
- **Public Recognition** – Increasing consumer awareness may include publicizing success stories, annual awards ceremonies, and notifying local media outlets of good environmental stewardship
- **Extended time for correction of problems** – For example, EPA policy permits extended compliance schedules in consent decrees, in return for actions that go beyond compliance through P2 solutions
- **Lower Inspection Priority –** An example is Performance Track's low priority for routine inspections, where low inspection priority is linked to a prior good history of compliance, implementation of an EMS, and future performance goals
- **Technical Assistance/Training Programs** – Designed to educate an entity about compliance and available tools to achieve enhanced environmental performance; offering technical assistance and training of the type typically provided by private environmental consulting firms
- **Logos for Green Products –** A brand is placed on a product to certify that it has met program requirements related to environmental performance and/or energy conservation
- **Grant Money** – Financial support by government for programs or projects
- **Regulatory Flexibility –** Granting exemptions from existing requirements in exchange for environmental performance and / or greater efficiencies
- **Forum for Communication among Peers –** Providing a meaningful forum among members of the regulated community to share information and experiences
- **Consolidated/Expedited Permitting -** Granting a facility a single permit that contains its environmental permit requirements across media programs; giving a facility preference in terms of timing for obtaining permits

Starter Questions

1) Which drivers exist to achieving RCC goals? How can EPA best address these drivers in implementing the RCC?

2) Which barriers exist to achieving RCC goals? How can EPA best address these barriers in implementing the RCC?

3) Is it desirable/necessary for EPA to provide any additional incentives to achieve RCC goals?

4) If additional incentives are desirable/necessary, what types would best promote RCC programmatic goals?